

# ILS-IMPULSES

## Airbnb and Co. – The business of sharing

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How does internet-based resource sharing through short-term rentals change our cities?

### Outline

- Effects of short term rentals on urban structures
- Regulation of short term rentals
- Corona: New options for cities?
- What cities can do?

Short term rentals - Economy of sharing

One of the most frequently discussed phenomena of the economy of sharing are platforms for short-term rentals. In recent years, Airbnb has developed from a niche provider of single free beds to a carrier of a new business field in the accommodation industry (Fig.1).

The original idea of sharing a temporarily vacant couch space is increasingly being transformed into a professional business model in which individual rooms and apartments are rented out on a daily or weekly basis throughout the year.

lion inhabitants, half of the Airbnb offers consist of entire accommodations and nearly a half of private rooms.<sup>1</sup> Many providers also offer several accommodations at the same time. Dormitories now account for only a negligible proportion (Fig. 3). The spatial accumulation of highly frequented Airbnb accommodations also leads to a number of challenges in the neighborhoods. Studies have shown a stronger increase in rents for long-term rentals in the immediate vicinity of Airbnb hotspots compared to other neighborhoods with lower Airbnb supply.<sup>2</sup> In addition, residents complain about negative consequences such as increased noise in streets, houses and apartments, increased pollution of public



Sources: Data 2015-16: InsideAirbnb, cut-off date each January | Data 2015-17 in German Cities: own survey, annual total | Data 2018-20: Airdna, cut-off date each 2nd quarter.

Fig. 1: Development of short-term rentals via the Airbnb platform in selected European cities.

Short-term rentals and their influence on urban structures

Particularly large cities and metropolitan areas popular with tourists are experiencing a rapid increase in short-term rentals in Germany and Europe. This certainly can have positive effects to begin with. The additional offers expand the range of accommodation in a city and make it more flexible. For travelers, there is often a cheaper alternative to the classic hotel, and students and interns, families or even craftsmen benefit from more possibilities for a temporary stay. Short-term landlords generate additional income and can thus, for example, invest in their buildings as owners or, as tenants, keep their own apartment despite rising rental costs. The local economy also benefits from increased demand in retail, gastronomy and other services associated with travel.

However, with the rising number of short-term rentals and the increasing rental intensity of individual Airbnb accommodations, the negative effects are also intensifying, especially in individual buildings and within the city districts. Landlords are increasingly inclined to offer apartments as vacation homes, which leads not least to unequal competition with the traditional hotel industry. Renting an apartment to tourists or business travelers on a daily or weekly base generates significantly higher returns than the usual apartment rental (Fig. 2). In the four German cities with more than a mil-

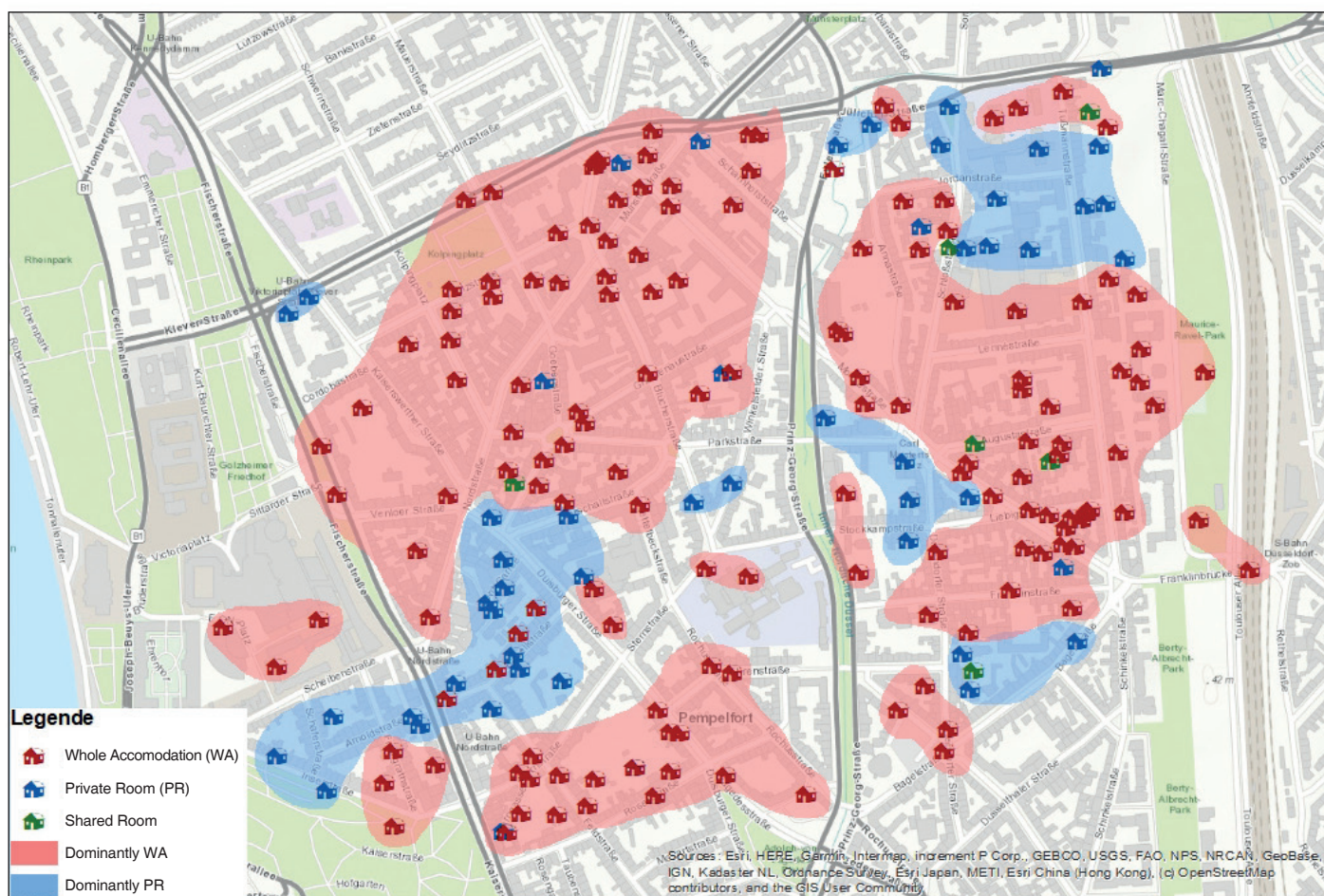
space as well as access and departure traffic. These contribute to insecurity, discomfort and anonymity in their own neighborhood.

Finally, the further increase in the number of vacation homes can 'tip over' the character of the area and contribute to a gradual orientation of the local supply infrastructure in favor of tourists instead of residents.



Fig. 2: Average rental income from short-term and long-term leases in Düsseldorf-Pempelfort. (Data: 2/2020th own presentation by Lohner 2020a)





Author: Rebecca Lohner (compiled: March 2020)  
 Data: AirDNA (2020)

Fig. 3: Spatial distribution of Airbnb accommodation in Düsseldorf-Pempelfort by type of accommodation (Lohner 2020).

### Regulation of short term rentals

The usual response to the increase in short-term rentals and their negative consequences are prohibitions under national law on misappropriation. Currently (as of September 2020), the three German city states of Berlin, Bremen and Hamburg and the six territorial states of Baden-Württemberg, Bavaria, Brandenburg, Hesse, Lower Saxony and North Rhine-Westphalia are making use of this possibility.<sup>3</sup> On this basis, cities and municipalities can issue a ban or restrictions on the use of apartments as vacation homes in the form of municipal ordinances and statutes.<sup>4</sup> By 2019, 18 cities and municipalities in Germany had established such rules: Dortmund, Hamburg, Bonn, Cologne, Bremen, Berlin, Munich, Freiburg i. Br., Constance, Stuttgart, Münster, Heidelberg, Puchheim, Frankfurt a. M., Nuremberg, Regensburg, Aachen and Düsseldorf. Since 2013, the number of cities and municipalities that use prohibitions of housing misappropriation has been steadily increasing nationwide. The increasing housing shortage is also contributing to this. A data analysis by ILS has shown this correlation: According to it, predominantly cities with a particularly high new building need of dwellings, connected with a hardly existing housing vacancy and an above average occupation ratio of guest beds in the traditional accommodating trade, furnish appropriate regulations.<sup>5</sup>

However, the regulations remain difficult to enforce so far. The anonymized landlords and the missing knowledge about actual letting numbers make the collection of proofs over the change of

use of a dwelling into a vacation home more difficult.<sup>6</sup> So far the responsible authorities only may pursue with the help of the public and its own search of violation cases by visiting each of them locally. Enforced by a trial, in the summer of 2020, the Hamburg authorities had for the first time obtained a transfer of data sets including several details on concrete landlords' activity through one of the internet platforms. In a new edition of the Housing Supervision Act (WAG), the state of North Rhine-Westphalia intends to register all such accommodations by itself. Meanwhile, around 400 cities worldwide have signed a separate agreement with Airbnb: Under this agreement, the company pays the bed tax directly to the cities. In return, the cities will forego stricter regulations. In Germany, this agreement currently includes the cities of Frankfurt a. M., Dortmund and Dresden.

### Corona: New possible options for cities?

As a result of the Corona crisis, Airbnb's turnover in Germany fell from 31 million euros to 13 million euros between mid-February and the end of March 2020.<sup>7</sup> The figures are similar in Spain, France and Italy. To a so far manageable extent, it has been possible in some cities such as Lisbon or Paris to influence owners with rent guarantees in order to rent out apartments again on a long-term basis. In cities with high rental costs, owners tend to make their apartments available to the housing market again anyway. In Prague, for example, between March and May 2020, several hundred of the estimated 13,000 short-term rentals were returned

to the housing market, which had an immediate rent dampening effect of around 8-15% depending on the size of the apartment.<sup>8</sup> In the city of Barcelona, which introduced a license-based zone system for short-term rentals, short-term landlords initially left their accommodation vacant for fear of losing their license.<sup>9</sup>

### What cities can do? Long-term solutions for the parahotel industry

The development of Airbnb's services in European cities documents that the parahotel industry is highly dependent on market conditions and partly dependent on local regulatory approaches. For this reason, the industry can initially be expected to grow again in the period following the contact and travel restrictions imposed by the global pandemic. In view of the anonymity of the users, a general registration obligation of short-term renters seems necessary. In order not to lose even more residential units to short-term

rentals altogether, it is also recommended to introduce a general permit requirement for rentals to changing guests. Recently, the European Court of Justice also confirmed that such regulation is in line with EU law. The Hamburg model in particular offers a promising solution as a combination of a ban on misappropriation and a registration requirement. During on-site inspections, the joint action of several municipal authorities generally proved to be particularly effective in the supervision of housing. In areas characterized by a high concentration of short-term leases, at least in the German case the urban planning instruments, such as preservation statutes, can help to take legal action against illegal changes in use.

Hereby, it is not so much a matter of completely banning short-term rentals. Rather, the aim is to find a moderate mode and compatibility of this new business field with other urban functions, especially the housing.

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